

**MINUTES OF THE 95th ANNUAL GENERAL MEETING
OF KEMP & DENNING LIMITED, ABN 81 009 475 941
HELD IN THE DERWENT ROOM, WREST POINT, 410 SANDY BAY ROAD, HOBART
ON THURSDAY 27 SEPTEMBER 2018 AT 10:30 AM**

PRESENT:

C A G Kemp, N J Edwards, S M Allison-Rogers, R F Ibbott, B L Moody, D A Moody, E M Kemp, G F Allison, S G Allison, N M Campbell, R M Rex, J M Wallace, W G Wallace, B B Willson, T Young, B E Simpson, M A Rayner, G E Petterd, A B McKay, G W Nielsen, R T Banks, N Clark, B W Freeman, K J Allison, M B Thorpe, D J Alexander, A J Arnold, H M Kidd, V R Smith, W A Kennedy, J E Kidd, A J McKinlay, M J Kimber (representing Treasure Island Hire Boat Company Pty Ltd), M J Creese, W R Allison, T Hickey (representing T H Management Services Pty Ltd), M R Ball, E E Cooper, P J Alexander, A E Coupe

CHAIRMAN:

The Chairman of Directors, Mr G Goodman, took the chair.

IN ATTENDANCE:

General Manager, Kemp & Denning Limited, Jason Hutton
Company Auditors represented by David Palmer (BDO).

APOLOGIES:

Apologies were received from R J Noble, T Hansen, B Hall, K D Bowerman, A M G Banks, R E G Kemp, S M G Kemp.

NOTICE OF MEETING:

The Notice of Meeting was taken as read.

MINUTES:

Minutes of the 94th Annual General Meeting held on 28 September 2017 have been approved by the Directors and signed as a true record of decisions made at the meeting. A copy of the Minutes were previously circulated to Shareholders and are also available on the website.

ORDINARY BUSINESS:

1. FINANCIAL REPORTS AND THE DIRECTORS' AND AUDITORS' REPORT FOR THE YEAR ENDED 31 MAY 2018.

Mr G Goodman delivered the Chairman's Address.

Mr J Hutton addressed the meeting and provided an overview of the Company's position on a range of subjects raised by shareholders prior to the meeting.

Shareholder questions received prior to the meeting are as follows:

Question 1: How did profit compare with budget?

Answer

This time last year, we advised you that before all one-off restructuring costs we expected Earnings Before Interest, Tax and Depreciation to be around \$200k.

By way of reconciliation we incurred one-off restructuring costs of \$1.5m – the big ticket items being redundancy and the early termination of our Cambridge lease. By adding back capital profits from the sale of properties, full year profit (continued + discontinued operations) was \$124k.

Together with a favourable property revaluation for 103 Melville Street enabled us to report an increase in net assets of \$1.83m.

Question 2: Does the Net Asset Value of \$25.3m reflect the current market valuation of 103 Melville Street?

Answer

103 Melville Street including the cottages located at 159 Harrington Street is recognised in the balance sheet at \$15.75m being the market valuation provided by Opteon as at the 16th August 2017. In May of this year we requested market valuations from three commercial real estate agents who valued the property in a range significantly higher than this figure. Accordingly, the Directors believe the balance sheet is conservative with further upside for shareholders going forward.

Question 3: The Hobart City Council has recently outlined possible amendments to the Hobart Interim Planning Scheme. What does this mean for 103 Melville Street?

Answer

Under the proposed changes, 103 Melville Street will effectively be rezoned. Under the proposed amendments there is scope to build higher than is currently allowed which could change the estimated valuation. The proposal benefits the community by helping to ensure that the height of development in the central area of Hobart makes a positive contribution to the streetscape and townscape values and meets community expectations. Council have indicated that a final outcome is not expected before the middle of 2019 at the earliest.

Question 4: Do the Directors believe that the current share price fairly values the company?

Answer

The last traded share price was \$4.50. If we compare the current Net Asset Value per share of \$9.43 which is the value per share after paying off all liabilities, the shares are effectively trading at a 52% discount. Given our balance sheet is very clean and contains no intangibles only hard assets including property, plant and equipment, cash and inventory the Directors believe the current share price does not fairly value the company.

Question 5: What is the dividend policy going forward?

Answer

To pay a dividend in FY19 and FY20 equal to not less than 20 cents per share and not more than 40 cents per share. To begin to grow dividends year on year from FY2021 in the context of a property investment portfolio providing ongoing income.

Question 6: Has any big purchase of the company's shares happened this year?

Answer

No, there has been no major share sales during the last 12 months.

Question 7: Can the notes to the financial statements in the annual report be simplified so a non-accountant can understand them?

Answer

Absolutely, we have made a concerted effort this year to simplify the accounts and notes thereto. In previous years, we have reported the consolidated result in addition to Kemp & Denning Hardware Limited. This was unnecessary and accordingly we have presented the consolidated accounts for easy understanding.

Question 8: What are the key issues the board addressed last year?

Answer

From an operational perspective, we have significantly reduced our operating costs and restored profitability. This included the sale of our Trade business and orderly closure of our Cambridge Store and the Timber yard at 90 Melville Street.

From a strategic perspective we have taken the necessary steps to safeguarding our immediate future. All in all, 2018 was a successful and future-defining year and we have achieved the goals that we set ourselves.

Question 9: What steps is the board taking to improve shareholder value?

Answer

As advised by our Chairman just now, we are continuing to improve the efficiency of our existing hardware business whilst looking for an appropriate opportunity to redevelop 103 Melville Street.

Question 10: Why did the company change auditors?

Answer

After 20 odd years, we believed that a change in auditor was appropriate given the change in scale and complexity of our business.

Question 11: What was the total amount of bad debts written off last year?

Answer

We wrote off \$60,407 worth of bad debts against a balance sheet provision of \$73,800. With the sale of our trade business and tighter receivables management we expect bad debts to be less than \$15,000 this year.

Question 12: What is the future of the Hobart operation?

Answer

It is very much business as usual for our Hobart operation. We will continue to introduce new products that are exclusive to K&D and thereby offer another reason to shop K&D on top of our convenience position.

Question 13: Please comment on the reasons for selling 90 Melville Street?

Answer

We had no immediate use and or redevelopment plans for this property. We received an unsolicited cash offer for the property that was almost double the current valuation and determined that a sale was in the best interests of the company.

2. ELECTION OF DIRECTORS:

The Deputy Chairman moved that Mr G Goodman, who retires by rotation under clause 11.3 of the company's constitution, and being eligible, is re-elected as a director of the company.

The proxy votes received are as follows:

	Shares
For	651,665
Against	Nil
Abstain	Nil
Open Proxies for specific individuals	137,756
Open proxies in favour of the Chairman	2,439

There was no discussion and the motion was carried on a show of hands.

The Chairman moved that Mr C A Kemp, who retires by rotation under clause 11.3 of the company's constitution, and being eligible, is re-elected as a director of the company.

The proxy votes received are as follows:

	Shares
For	651,665
Against	Nil
Abstain	Nil
Open Proxies for specific individuals	137,756
Open Proxies in favour of the Chairman	2,439

There was no discussion and the motion was carried on a show of hands.

3. GENERAL BUSINESS:

Mr McKinlay asserted that the reported profit of \$1.2M as stated in the Annual Report was misleading to shareholders and disguised the underlying trading loss of approximately \$800K. Mr McKinlay further commented that 90 Melville Street should have been reported as a 'discontinued operation' not a 'continued operation'.

David Palmer from BDO responded that the classification of 90 Melville Street was in line with accounting standards and the property was surplus to requirements of the Warehouse store. It was decided to consolidate all business into one site at 103 Melville Street, therefore, it wasn't a 'discontinued operation'.

Mr Goodman assured Mr McKinlay that there was certainly no intention to mislead Shareholders.

Mr Kimber asked if the Kitchen business is profitable.

Mr Hutton replied that the Capital Investment for Kitchens was effectively funded by the Supplier. We are breaking even but it hasn't given us the sales growth we anticipated.

Mr Kimber also asked if we receive an adequate return from the Café.

Mr Hutton replied that we were receiving a commercial return.

Mrs Allison asked if there were any plans to upgrade K&D's Website as it is embarrassing.

Mr Hutton replied no, due to the investment we would have to make and he doesn't believe it is harming our sales.

Mr Creese asked that given the cash balance is there any intention to increase stock levels.

Mr Hutton replied we are comfortable with inventory at the moment as we have excess stock from the closure of stores.

CLOSE OF MEETING:

The Chairman thanked Shareholders for their attendance and closed the meeting at 11:06am.

A handwritten signature in black ink, appearing to read 'Good', enclosed within a large, stylized, horizontal oval shape.

Chairman